



County of Los Angeles
Department of Public Social Services

Bryce Yokomizo
Director

August 5, 2002

TO: Each Supervisor

Bryce Yokomizo

FROM: Bryce Yokomizo, Director

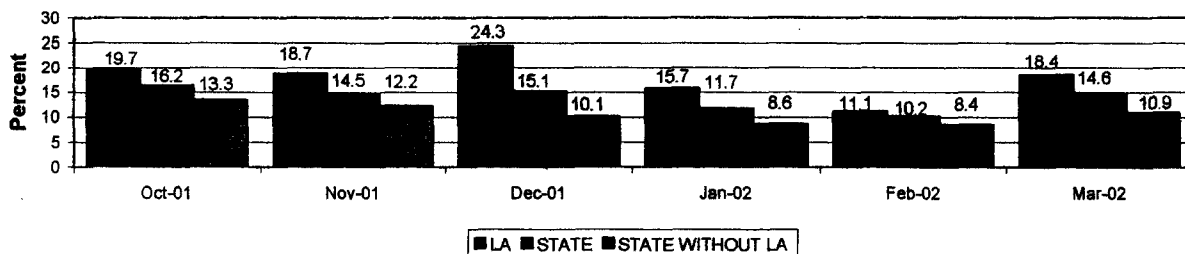
**SUBJECT: BOARD OF SUPERVISORS MOTION: L.A. COUNTY FOOD STAMP
ERROR RATE MONTHLY REPORT – MAY/JUNE 2002**

This is to provide your Board with the departmental progress report on the Los Angeles County Food Stamp error rate for the report months of May and June 2002. Representatives from the offices of the Chief Administrative Officer (CAO) and the Auditor Controller (A-C) have reviewed this report and concur with the information.

ERROR RATE

Based on the latest available findings from the California Department of Social Services (CDSS), the Department's Food Stamp error rate for March 2002 is 18.4%.

The graph below displays the month-to-month error rate comparison between Los Angeles County and the average error rate for all other counties in the state of California for Federal Fiscal Year (FFY) 2002 through the month of March 2002.



The cumulative error rate for the first six months of FFY 2002 is 18.1%. In comparison, the Department's cumulative performance for the previous fiscal year was 22.9%. This reflects a reduction of 4.8 percentage points.

PERIOD COVERED	L.A. COUNTY	STATE	STATE W/OUT L.A.
October 2000 - September 2001	22.9%	17.4%	12.1%
October 2001 - March 2002	18.1%	13.3%	9.5%

Source: CALIFORNIA DEPARTMENT OF SOCIAL SERVICES

INITIATIVES FOR IMMEDIATE ACTION

My last report informed your Board on sanction liability and new initiatives. This report includes an update on the initiatives underway for immediate action. The progress of the following initiatives are being closely monitored:

- Giving priority focus to Food Stamp error areas as part of ongoing training. 3,379 staff in twenty-eight districts received training in May and June 2002. A second LEADER Clinic for General Relief (GR) staff began in seven district offices on June 12, 2002. A total of 532 employees with GR cases received this training, with approximately 309 remaining to be trained.
- Implementing CW 7 Change Centers (CCC) in 19 additional district offices effective July 1, 2002. The Department now has 23 CW 7 Change Centers in operation. Special Aids Districts will be brought on board in September 2002. Implementation of the CCC is a major error reduction activity as it focuses on our number one cause of agency error, *failure to act*. With this error in decline, the Department will be better able to identify any existing policy problems.
- Modifying LEADER logic to report weekly, semi-weekly, bi-monthly, and monthly pay frequencies. Correction of the pay frequency area of LEADER went into production on July 19, 2002.
- Posting the district-specific and unit-specific error rates in each district so that each worker becomes aware of their contribution and responsibility for reducing the errors.
- Initiating meetings between District administration and individual worker/supervisors regarding Food Stamp errors identified in case audits.
- Developing a partnership with union representatives on a campaign to improve Food Stamp payment accuracy.

As indicated in prior reports, the Food Stamp error rate audits are conducted several months in arrears. Therefore, while we have taken the above steps to aggressively manage the Food Stamp error rate, it will be at least several months before positive results will show up in the federal audits.

NEW INITIATIVES FOR IMPLEMENTATION

The initiatives listed below include best practice actions, identified as a result of recent New York and Texas trips, for implementation in Los Angeles County:

- Participant CW 7 Video to improve communication with the public on reporting responsibilities.

- Motivational Posters to be displayed throughout district offices containing messages to support line staff.

STRATEGIC PLAN

The State contract with the GovConnect consultant was completed on June 30, 2002. A Project Closure Report was submitted on July 3, 2002, and an Exit Conference was held on July 8, 2002. The Department is now implementing the Strategic Plan that serves as a tool for executive oversight critical to achieving the goals and strategies for improving the accuracy of Food Stamp issuances.

SANCTION LIABILITY FOR CALIFORNIA AND LOS ANGELES COUNTY

On June 20, 2002, CDSS submitted a settlement offer to FNS. The plan called for a total State liability of \$43 million which would include cash payments, county reinvestments, and amounts held at risk for FFY 2002, FFY 2003, FFY 2004, and FFY 2005 performance. On June 28, 2002, FNS rejected the settlement proposal and proposed a new settlement agreement in which California would settle the FFY 2001 adjusted liability of \$114.3 million, by initially repaying \$57.1 million in two installments due July 31, 2002 and July 31, 2003. In addition, \$28.5 million was to be reinvested in activities for improving payment accuracy, with the remaining \$28.5 million to be held at-risk, based on performance for FFY 2002 and FFY 2003. On July 15, 2002, CDSS sent a letter to USDA rejecting the USDA proposal and requesting further discussions. Attached is the USDA's response dated July 25, 2002, indicating they will not revise their settlement offer.

If the USDA does not budge on their settlement offer, Los Angeles County will be responsible for almost \$87 million (76%) of California's \$114.3 million sanction. Our liability would be broken out as follows: approximately \$44 million for repayment in two installments over two fiscal years; \$21.5 million for reinvestment over two fiscal years in activities to improve Food Stamp accuracy and the remaining \$21.5 million held at-risk, based on performance in FYs 2002, 2003 and 2004.

CDSS has requested an extension to submit an "Intent to Appeal" which has been granted until August 8, 2002. CDSS is evaluating options to prepare its appeal. We are working aggressively with CDSS to put in place a vigorous appeal for a reduction of the FFY 2001 sanction liability amount.

Furthermore, as previously reported to you by the Chief Administrative Officer, DPSS and CAO staff and the County's Washington representatives, along with the State, other counties, Michigan, Wisconsin, the American Public Human Services Association, the Service Employees International Union, and several other interested parties, have been pursuing federal bill or committee report language to require the USDA to apply the Food Stamp penalty calculation methodology in this year's Farm Bill to the sanction for FFY 2001 and any sanction for FFY 2002. Under this methodology, California's FFY 2001 penalty would be approximately \$18 million, rather than \$114.3 million. A resolution in support of this effort from the American Public Human Services Association is attached for your information.

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To date, the focus of this legislative advocacy has been the FFY 2003 Agriculture Appropriations bill. In the House, thanks to the leadership of Rep. Lucille Roybal-Allard, the following committee report language was included by the Appropriations Committee on July 10, 2002:

The Secretary has broad authority to adjust quality control claims against States. The interest of this Committee is to see that this authority is used in a manner that is fair, while protecting the integrity of the Food Stamp Program. The Committee is aware that the Secretary of Agriculture has exercised this authority to adjust fiscal year 2001 quality control claims, taking into account disproportionate numbers of earners and immigrants when making adjustments to the State liabilities. The Committee appreciates the Secretary using her authority in this manner and encourages her to make appropriate use of this authority in the future.

In the Senate, thanks to the leadership of Senator Dianne Feinstein, the following committee report language was included by the Senate Agriculture Appropriations Subcommittee on July 23, 2002:

The Committee urges the Secretary of Agriculture to work with States to reduce Food Stamp error rates. The Congress recently simplified the Food Stamp program and reformed the quality control system, including the methodology for calculating error rate penalties in recognition of the difficulty in administering the Food Stamp program. The Committee encourages the Department to continue to negotiate with States that were sanctioned in fiscal year 2001.

Neither the House nor Senate committee report language requires USDA to apply the Farm Bill methodology to the FFY 2001 penalty. At the same time, the language constitutes an expression of Congressional interest in this issue which may have a positive impact on future negotiations with USDA. My department will continue working with the Chief Administrative Office, the State, and all other interested parties in the pursuit of a legislative strategy which complements the State's administrative efforts to secure a reduction in the FFY 2001 penalty.

I will to continue to provide your Board with monthly reports until the Department's Food Stamp error rate issues are resolved.

BY:ps

Attachments

c: Chief Administrative Officer
County Counsel
Executive Officer, Board of Supervisors
Auditor-Controller



Policy Statement – Food Stamp Program

Background

APHSA is very pleased with the nutrition title of the recently enacted farm bill. This bill represents the most significant advance in many years of the states' Food Stamp Program reform agenda. With its broad array of administrative simplifications and benefit increases, it goes far toward reducing this complex program's burden on states and toward enhancing assistance for vulnerable low-income families.

Without doubt, one critical element of the farm bill's success was that the states and administration worked in concert on so many of the bill's improvements, including restoring legal immigrant eligibility, securing administrative simplifications, and having the program serve all who qualify. This widespread support for the bill's central reforms should provide a solid foundation for positive cooperation between states and the administration as we enter the implementation phase.

States recognize that the farm bill's quality control changes represented an area where state interests and those of the administration were not identical in every respect; nevertheless, we believe both the administration and the states agree with and should support the broad thrust of the QC changes, including the confinement of sanctions to the "outliers" and the promising new outcome measures and high performance bonus awards. In this context, we wish to highlight that the original QC reform legislation offered by the House and Senate would have made the new changes effective for fiscal year 2001 and 2002. The provisions and the original effective date were scored at no cost by the Congressional Budget Office. States strongly supported this original legislation, and it clearly had the support of the majority of the Congress as well.

Policy Statement

APHSA urges the administration to bear these considerations in mind as it negotiates with states that exceeded the national average in their FY 2001 payment accuracy performance. We believe the administration should apply the intent of the new reforms in shaping state settlement offers; we are confident this would be a significant and extremely well-received signal. It would show that the administration supports both the letter and the spirit of the farm bill changes and will be a proactive partner in helping to improve food stamp performance under the favorable new atmosphere the farm bill provides.

In particular, we urge the administration to consider applying the farm bill methodology for computing the amount of state sanctions for FYs 2001 and 2002. In some cases, we understand that there is an enormous difference in sanction amounts calculated under farm bill methodology

as compared to current law. We believe this great discrepancy reinforces our contention that current law, which is on the verge of expiring, no longer represents the direction of public policy on this issue.

We also urge the administration to give states the fullest possible allowance for factors such as rapid caseload growth, high numbers of immigrants, high numbers of wage earners, and implementation of new automation systems – factors that show states' commitment to serving families and improving management but can often cause increased payment errors under present QC calculations.

Finally, we urge the administration to keep in mind the current and very serious state budget crisis. This would be one of the worst possible moments to consider cash sanctions as a viable component of improving state performance, because those sanctions would directly divert away resources used to improve program access and deliver services to needy individuals and families. Instead, the administration should make full use of the many other tools available to it – reinvestment, corrective action initiatives, and an active federal-state effort to identify and remove error-prone management practices.

Such an approach would clearly show a joint federal-state commitment to move forward and concentrate on putting the farm bill's many positive changes into effect as quickly as possible. This new legislation offers the promise of a simpler, more flexible, and better-targeted program, one that will let all levels of government work together to improve the Food Stamp Program in all its aspects.

Approved by the National Council of State Human Service Administrators, July 23, 2002

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United States Department of Agriculture

Office of the Secretary
Washington, D.C. 20250

JUL 25 2002

Rita Saenz
Director
State of California-Health and Human Services Agency
Department of Social Services
744 P Street
Sacramento, California 95814

Dear Ms. Saenz:

This is in response to your letter dated July 15, 2002, which delineates California's concerns regarding USDA's settlement offer to resolve the State's \$114.3M Fiscal Year (FY) 2001 food stamp liability. We have considered your concerns in whole and found that they do not merit a revision to the terms of our settlement offer.

California's error rate has been excessive every year since FY 1997. For the first three of those years, FNS adjustments and/or waivers to California's associated liabilities resulted in no monetary sanction to the State, yet California's error rate continued to worsen. California's continued poor stewardship of the Food Stamp Program underscores the need for fiscal accountability of misspent Federal dollars.

For instance, in FY 2000 the State incurred an adjusted liability of \$11.9M based on an error rate of 13.99 percent. Of that amount, FNS required California to reinvest only \$1.5M and held out to the State the possibility of waiving the remaining \$10.4M for improvements in future performance. Despite this accommodation, in FY 2001 California's error rate increased to 17.37 percent which was the highest in the nation—more than double the National average. This represented \$274.8M in misspent Federal funds and an assessed State liability of \$114.3M (about 40 percent of misspent dollars) after adjustments.

It will take well funded, consciously pursued, activities to reverse California's pattern of misdirecting Federal benefits and the real impact it has on low income individuals, families and children. In FY 2001, your State overissued \$200M and underissued \$75M in benefits. The majority of the underissuances were to families with children. Beyond the issue of payment accuracy, in this same period California inappropriately terminated and denied benefits at a rate of 17.8 percent compared to a national average of 8.3 percent.

We were disappointed in California's original proposal to settle its \$114.3M liability which included re-payment of \$4.3 million and reinvestment of only \$8.6 million over 2 years. The FNS response letter made clear that this proposal does not respond to the grave circumstances related to the State's administration of the Food Stamp Program.

An Equal Opportunity Employer

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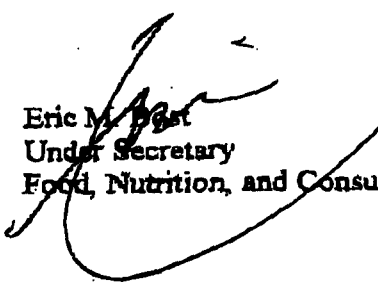
Ms. Rita Saenz

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We believe our settlement offer strikes a balance between accountability, program improvement, and fiscal incentives for error reduction. It takes into consideration positive movement by California in relation to payment accuracy by providing for a significant portion of the liability to be waived based on performance in fiscal years 2002, 2003, and 2004. Furthermore, this settlement agreement will deprive no child or adult of Food Stamp benefits as USDA supplies 100 percent of benefit dollars.

In fact, our settlement offer supports an effort to ensure that all eligible persons in California receive benefits at the correct allotment level. Achieving an increased level of payment accuracy is challenging, but worth the commitment of fiscal and human resources. It is only through the accurate determination and issuance of benefits that we can reduce hunger among the most needy and protect the taxpayers' investment in a healthier America.

Sincerely,



Eric M. Pest
Under Secretary
Food, Nutrition, and Consumer Services